

**BEHAVIORAL MEDICINE AND
ADDICTIVE DISORDERS, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2011 AND 2010

**BEHAVIORAL MEDICINE AND ADDICTIVE
DISORDERS, INC.**

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**B&T BOND &
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INDEPENDENT AUDITORS' REPORT

To the Shareholder
Behavioral Medicine and Addictive Disorders, Inc.

We have audited the accompanying balance sheets of Behavioral Medicine and Addictive Disorders, Inc. (a Louisiana Corporation) as of December 31, 2011 and 2010, and the related statements of income, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Behavioral Medicine and Addictive Disorders, Inc. as of December 31, 2011 and 2010 and the results of its operations, changes in shareholder's equity and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2012 on our consideration of Behavioral Medicine and Addictive Disorder, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Bond + Toussignant, LLC

Monroe, Louisiana
June 15, 2012

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	ASSETS	
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 9,236	\$ 1,864
Accounts Receivable	28,534	16,429
Due from Related Parties	-	31,611
	<hr/>	<hr/>
Total Current Assets	37,770	49,904
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Buildings	152,284	152,284
Furniture and Equipment	155,265	134,429
Total	307,549	286,713
Less: Accumulated Depreciation	(84,748)	(73,512)
Net Depreciable Assets	222,801	213,201
Land	23,000	23,000
Total Property and Equipment	245,801	236,201
	<hr/>	<hr/>
TOTAL ASSETS	\$ 283,571	\$ 286,105
	<hr/>	<hr/>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 27,549	\$ 27,798
Accrued Payroll Liabilities	20,203	13,654
Line of Credit	27,547	15,000
Accrued Interest Payable	461	543
Current Portion of Long-term Debt	24,110	23,477
Total Current Liabilities	99,870	80,472
	<hr/>	<hr/>
LONG-TERM LIABILITIES		
Notes Payable	111,942	116,190
Due to Shareholder	63,636	52,436
Total Long-Term Liabilities	175,578	168,626
Total Liabilities	275,448	249,098
	<hr/>	<hr/>
SHAREHOLDER'S EQUITY		
Capital Stock	1,000	1,000
Paid-In Capital	53,600	16,384
Retained Earnings	(46,477)	19,623
Total Shareholder's Equity	8,123	37,007
	<hr/>	<hr/>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 283,571	\$ 286,105
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUE		
Services	\$ 109,048	\$ 102,169
Federal - Veterans Affairs	142,900	136,250
- Access to Recovery	71,290	73,878
NonFederal - Access to Recovery	-	97,414
Medicaid	<u>159,086</u>	<u>-</u>
Total Revenue	<u>482,324</u>	<u>409,711</u>
EXPENSES		
Accounting & Legal	14,375	10,100
Auto & Truck	15,360	15,664
Bad Debt Expense	39,296	-
Bank Charges	1,194	973
Credit Card Fees	2,612	2,136
Depreciation	15,665	16,241
Contributions	65	65
Dues & Subscription	1,030	75
Insurance	10,931	8,478
Insurance - Health	-	5,752
Interest	8,995	9,615
License & Permits	1,570	2,234
Maintenance & Repairs	4,063	2,440
Meals & Entertainment	504	1,735
Medical Expense	3,155	4,425
Miscellaneous	402	931
Office Expense	11,138	11,965
Outside Services	20,125	392
Payroll Taxes	29,251	25,064
Unemployment Taxes	2,667	1,684
Rent - Equipment	345	978
Salaries - Officer	138,000	138,000
Salaries	207,808	210,735
Taxes - Other	90	262
Property Taxes	2,810	2,835
Telephone	8,717	8,607
Travel	531	-
Utilities	<u>7,725</u>	<u>7,425</u>
Total Expenses	<u>548,424</u>	<u>488,811</u>
Net Income	<u>\$ (66,100)</u>	<u>\$ (79,100)</u>

The accompanying notes are an integral part of these financial statements.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
 STATEMENTS OF SHAREHOLDER'S EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Capital Stock	Paid-In Capital	Retained Earnings	Total
Balance at January 1, 2010	\$ 1,000	\$ 16,384	\$ 98,723	\$ 116,107
Net Income (Loss)	-	-	(79,100)	(79,100)
Balance at December 31, 2010	<u>1,000</u>	<u>16,384</u>	<u>19,623</u>	<u>37,007</u>
Contributions	-	37,216	-	37,216
Net Income (Loss)	-	-	(66,100)	(66,100)
Balance at December 31, 2011	<u>\$ 1,000</u>	<u>\$ 53,600</u>	<u>\$ (46,477)</u>	<u>\$ 8,123</u>

The accompanying notes are an integral part of these financial statements.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ (66,100)	\$ (79,100)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	15,665	16,241
(Increase) decrease in:		
Accounts Receivable	(12,105)	18,924
Due from Related Party	31,611	(8,083)
Increase (decrease) in:		
Accounts Payable	(249)	10,342
Accrued Payroll Liabilities	6,549	(5,837)
Accrued Interest Payable	(82)	120
Net Cash Provided by (Used in) Operating Activities	<u>(24,711)</u>	<u>(47,393)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of Property and Equipment	16,062	-
Purchase of Property and Equipment	<u>(41,327)</u>	<u>-</u>
Net Cash Provided by (Used in) Investing Activities	<u>(25,265)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from Shareholder	37,216	-
Due to Shareholder	11,200	52,436
Increase in Line of Credit	12,547	15,000
Increase in Notes Payable	27,095	-
Principal Payments on Long-Term Debt	<u>(30,710)</u>	<u>(21,269)</u>
Net Cash Provided by (Used in) Financing Activities	<u>57,348</u>	<u>46,167</u>
 Net (Decrease) in Cash and Cash Equivalents	 7,372	 (1,226)
Cash and Cash Equivalents at Beginning of Year	<u>1,864</u>	<u>3,090</u>
Cash and Cash Equivalents at End of Year	<u>\$ 9,236</u>	<u>\$ 1,864</u>
 <u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for interest	<u>\$ 9,077</u>	<u>\$ 9,495</u>

The accompanying notes are an integral part of these financial statements.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

Behavioral Medicine and Addictive Disorders, Incorporated ("BMAD") is a for-profit S corporation organized under the laws of the State of Louisiana on June 6, 2001. The primary purpose of BMAD is to provide intensive outpatient treatment and therapy for veterans, individuals with substance abuse and alcohol addiction, and those with anger management issues in the Monroe and greater Northeast Louisiana region.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

BMAD uses the modified accrual method of accounting where revenue is recognized in the period earned and expenditures are recorded in the period incurred and to which they pertain in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

BMAD considers all short-term, highly liquid debt investments purchased with an original maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

No allowance for uncollectible accounts has been provided since it is believed that the balance in accounts receivable is all collectible.

Income Taxes

The Company has elected to be treated as a S corporation pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owner on his income tax return. The Company's federal tax status as a pass-through entity is based on its legal status as a S corporation. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011 AND 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

BMAD's financial instruments that are exposed to concentrations of credit risk consist primarily of cash on deposit at financial institutions. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2011 and 2010, BMAD had no uninsured deposits.

Concentrations of credit risk with respect to receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of December 31, 2011 and 2010, accounts receivable are as follows:

	<u>2011</u>	<u>2010</u>
U.S. Department of Veterans Affairs	11,190	10,245
Medicaid	13,448	-
Louisiana Department of Health & Hospitals	<u>3,896</u>	<u>6,184</u>
	28,534	16,429

Capitalization and Depreciation

Land, buildings, improvements and equipment are recorded at cost. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations. Estimated useful lives used for depreciation purposes are as follows:

Buildings	40 years
Furniture and Equipment	10 years

Subsequent Events

Subsequent events have been evaluated through June 15, 2012, which is the date the financial statements were available to be issued.

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS

BMAD's financial instruments, none of which are held for trading purposes, consist primarily of cash on deposit at financial institutions. BMAD estimates that the fair value of all financial instruments at December 31, 2011 and 2010 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheets.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE D - CONTRACTUAL REVENUE & ECONOMIC DEPENDENCY

BMAD has contracted with the US Department of Veteran Affairs to provide certain counseling services to veterans. Approximately 30% of BMAD's revenue was generated from this contract in 2011. For their services, BMAD received \$142,900 and \$136,250 in 2011 and 2010, respectively.

Since 2006, BMAD was awarded a contract through the Louisiana Department of Health and Hospitals under the United States Department of Health and Human Resources to administer an Access to Recovery voucher program for substance abuse treatment. Approximately 15% of BMAD's revenue was generated from this contract in 2011. For their services, BMAD received \$71,290 and \$73,878 of Federal funds in 2011 and 2010, respectively, and \$0 and \$97,414 of State funds in 2011 and 2010, respectively.

In 2011, BMAD was awarded a contract from the US Department of Health and Human Services to provide medical services through the Medicaid program. Approximately 30% of BMAD's revenue was generated from this contract in 2011. For their services, BMAD received \$145,638 in 2011.

NOTE E - LAND, BUILDING AND EQUIPMENT

Expenditures for land, building and equipment are capitalized at cost. Property and equipment acquisitions are capitalized in excess of \$1,000. When assets are disposed of, the cost related accumulated depreciation is removed from the accounts, and any gain or loss is recorded in operations.

Depreciation is computed using the straight-line method over the estimated service lives of the assets. A summary of changes in general fixed assets for the years ended December 31, 2011 and 2010 follow:

<u>Assets Class</u>	<u>2011</u>	<u>2010</u>
Land	23,000	23,000
Building & Improvements	152,284	152,284
Furniture and Equipment	<u>155,265</u>	<u>134,429</u>
	330,549	309,713
Less: Accumulated Depreciation	<u>(84,748)</u>	<u>(73,512)</u>
Net Balance	245,801	236,201

Depreciation for 2011 and 2010 totaled \$15,665 and \$16,241, respectively.

NOTE F - LINE OF CREDIT

In February, 2010, the Company received a demand bank line of credit, originally totaling \$30,000, under which the Company may borrow at prime + 2.75%, currently 6%. The line of credit is secured by the Company's real estate. The amount outstanding under this line of credit as of December 31, 2011 was \$27,547. The credit agreement expires on May 2, 2012.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE G – NOTES PAYABLE

Notes payable at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Mortgage note payable to Ouachita Independent Bank with a 6.75% interest rate secured by real estate. Monthly payments are \$1,323, due to April, 2013, at which time a balloon payment of \$83,180 will be due.	94,871	103,911
Note Payable to Shell New Orleans Credit Union with a 4.49% interest rate secured by a vehicle. Monthly payments are \$647, due in August, 2012.	5,821	13,086
Note Payable to Ford Credit with a 1.90% interest rate secured by a vehicle. Monthly payments are \$474, due in September, 2016.	25,841	-
Note Payable to Wells Fargo with a 1.72% interest rate secured by a vehicle. Monthly payments are \$282, due in June, 2014.	9,519	11,967
Note Payable to Ford Credit with a 9.09% interest rate secured by a vehicle. Monthly payments are \$386, due in July, 2013.	<u>-</u>	<u>10,703</u>
Total	136,052	139,667
Less Current Portion of Long Term Debt	<u>(24,110)</u>	<u>(23,477)</u>
Total Long Term Notes Payable	111,942	116,190

Principal payments due over the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 24,110
2013	93,743
2014	8,422
2015	5,547
2016	4,230
Thereafter	\$ -

NOTE H - DUE TO SHAREHOLDER

At December 31, 2011 and 2010, the shareholder had advanced \$63,636 and \$52,436, respectively, to the Company. There is no written evidence of this debt and accordingly, it is unsecured and non-interest-bearing.

BEHAVIORAL MEDICINE AND ADDICTIVE DISORDERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE I - RELATED PARTY TRANSACTIONS

Amounts Due from Related Party in 2011 and 2010 in the amount of \$0 and \$31,611, respectively, represent advances to Behavioral Medicine Addictions Reentry, Inc., a non-profit Louisiana corporation, for certain operating expenses incurred during the years then ended. Behavioral Medicine and Addictive Disorders, Inc. and Behavioral Medicine Addictions Reentry, Inc. are governed by some of the same Board of Director members. There is no written evidence of this debt and accordingly, it is unsecured and non-interest bearing. In 2011, BMAD wrote off \$39,296 of these advances as uncollectible since the non-profit ceased its operations because of insolvency. This transaction is recorded as Bad Debt Expense.

NOTE J - ADVERTISING

The Company incurred no advertising costs in 2011 and 2010, respectively. These costs are expensed as incurred.

**B&T BOND &
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the Shareholder
Behavioral Medicine and Addictive Disorders, Inc.
Monroe, Louisiana

We have audited the financial statements of Behavioral Medicine and Addictive Disorders, Inc. as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated June 15, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Behavioral Medicine and Addictive Disorders, Inc.'s, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Behavioral Medicine and Addictive Disorders, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Behavioral Medicine and Addictive Disorders, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Behavioral Medicine and Addictive Disorders, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and shareholder of Behavioral Medicine and Addictive Disorders, Inc., Louisiana Department of Health and Hospitals, the United States Department of Veterans Affairs, and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specific parties. However, under Louisiana Revised Statute 24:513, this report may be distributed by the Legislative Auditor as a public document.

Bond + Jousignant, LLC

Monroe, Louisiana
June 15, 2012